

TIPPECANOE COUNTY TREASURER NEWSLETTER



July 18, 2008

Annual Property Tax Increases

It seems like property taxes increases will never end. Why the increases when Tippecanoe County is growing as much as it is? Will this continue? What has been done to slow down the increases? What will be done to allow us to afford to own property in this county? Much has been said about property taxes recently but will the changes really help? When will the taxing process be back on schedule so property taxes are due in May and November like the “old days”? Everyone has questions about property taxes and very few have answers. The best answer maybe is that only time will tell. Let me attempt to give you a little background of where we are at and where we are going.

First, property tax levies. A property tax levy is the amount of overall property taxes billed countywide. The total property tax levy is a composite of many individual property tax levies; the schools cities towns’ county and welfare each have a property tax levy. Most levies are controlled levies that means there are maximum annual increases in place.

For example, Tippecanoe County Government has the following levies for 2007, both controlled levies and levies outside controls. The levy limit is by taxing authority and not by individual rate.

<u>Tippecanoe Co Fund</u>	<u>Controlled</u>	<u>Non-Controlled</u>
General Fund	\$17,214,591	
Reassessment	\$277,891	
Cumulative Bridge	\$2,559,519	
Jail Lease		\$1,257,821
Total	\$20,052,001	\$1,257,821

The State allows the amount of property tax collected on the controlled levies to increase by the six-year non-farm income growth rate. This has been the same percentage for all units of government within the State of Indiana. In the example above, the total of \$20,052,001 can increase by 4%. The

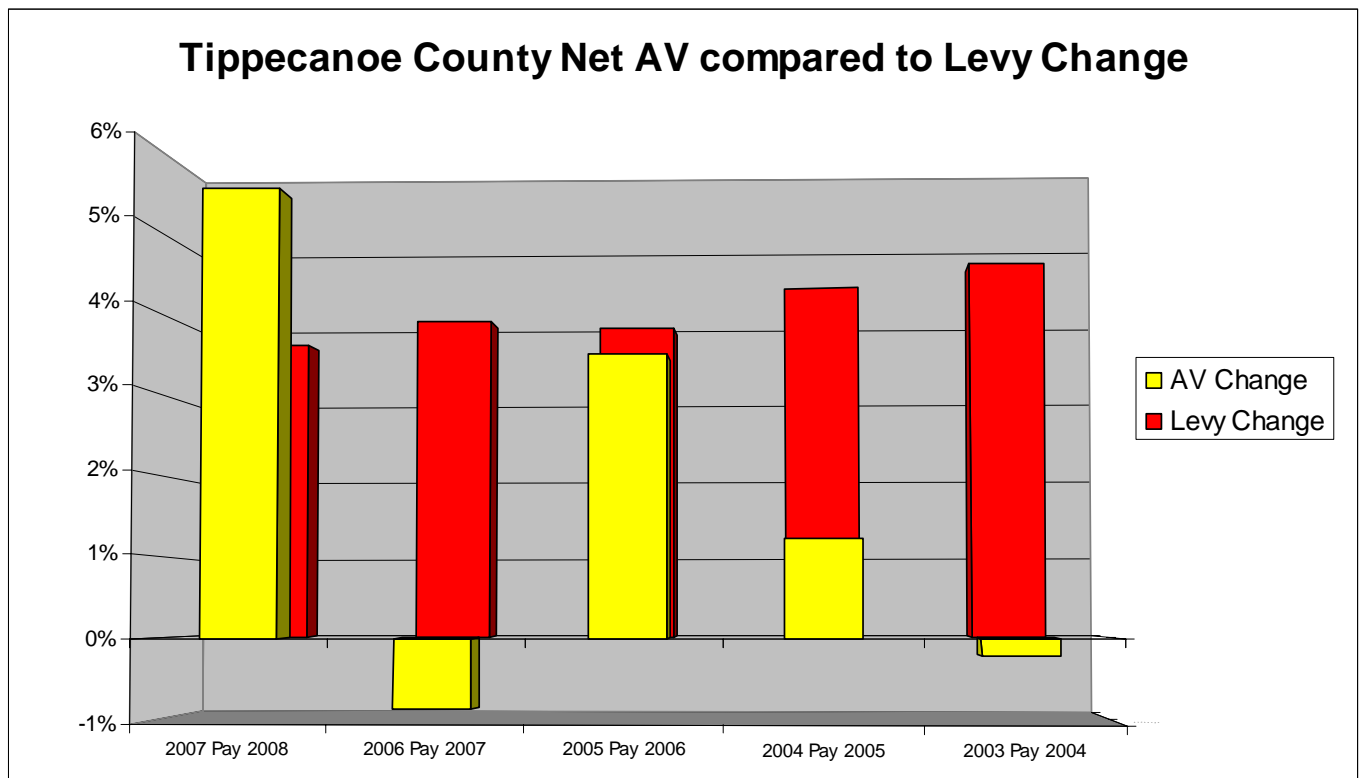
General Fund levy could increase by more than 4% but only if the Cumulative Bridge or Reassessment levy increased by less than 4%. Debt service, like the funds used to make bond payments on the County Jail, is not within these limits and therefore can increase as much as necessary to make the bond payments.

This does not mean a person's property tax will not increase more than 4% in 2008. This limit is an overall limit for billing and not a limit per each individual property.

Overall, if the overall assessed valuation increases by the same percentage as the levy increase, property taxes should remain constant. Is that happening? No. We do have a growing county but other factors are keeping assessments from keeping up with the levy increases.

Until the last few years, businesses paid property taxes on inventories. That no longer is the case. When that occurred over \$300 million of value was removed from the countywide assessment. In addition, many of the areas of the county, which have experienced growth, are within TIF districts. When that occurs, that growth is captured and all the taxes on the captured assessment are given to the redevelopment commissions to be used within that district. This is good for future development but that new assessment growth is not included in the total assessment used to establish tax rates.

The graph below shows the annual net assessed value changes along with the annual levy increases. As you can see, from 2003 (last general reassessment) through 2006, the levy increases have exceeded net assessment increases so taxes would therefore trend up.



For 2007 pay 2008, the net assessment increase percentage did exceed the levy increase, which makes things hopeful for 2008 taxes. This is partially due to statewide increases in the assessed price of land used for agricultural purposes. This has increased the total net assessments for the rural townships considerably.

For property taxes due in 2008, the General Assembly has provided a large amount of additional funding for the State Homestead Credit. All owner occupied homes, whose owners have properly filed for the Homestead Credit, should see substantial decreases to their tax amounts in 2008. In 2009, all classes of taxpayers should see tax relief as the additional sales tax revenues are used to fund certain parts of local government currently funded with property taxes. This includes School General Fund, School Transportation, many Welfare funds, State Fair and State Forestry.

2008 Property Tax Bill Update

The County Auditor has certified the 2007 pay 2008 net assessments to the State, who will in turn establish the tax rates and credit percentages. This process takes a little time but we are making progress to getting tax bills out.

On Wednesday July 23rd, the Department of Local Government Finance (DLGF) will hold a public hearing on the 2008 budgets, rates and levies for all Tippecanoe County taxing units. This hearing will be held beginning at 9:00 AM EST in the 2nd Floor Conference Room of the County Office Building (20 North 3rd St, Lafayette).

Following this public hearing, the DLGF will proceed with the process of finalizing the Tippecanoe County tax rates. I will continue to keep you informed of the progress and we moved, ever so slowly, to mailing the 2008 property tax bills. I hope we are finally completing the final pieces of the puzzle to bill the 2008 property taxes.

